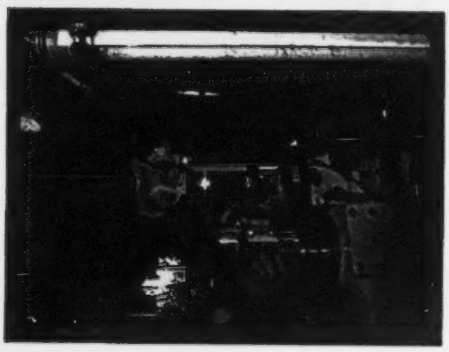
Prince Edward Island Business Development Inc.

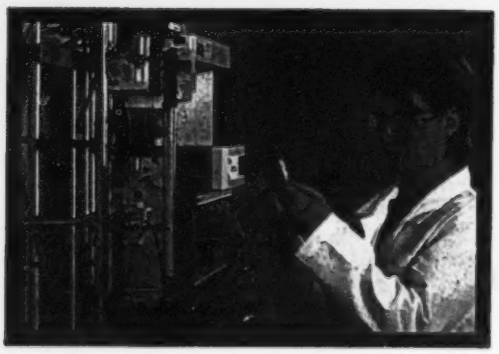
Annual Report 2007—2008

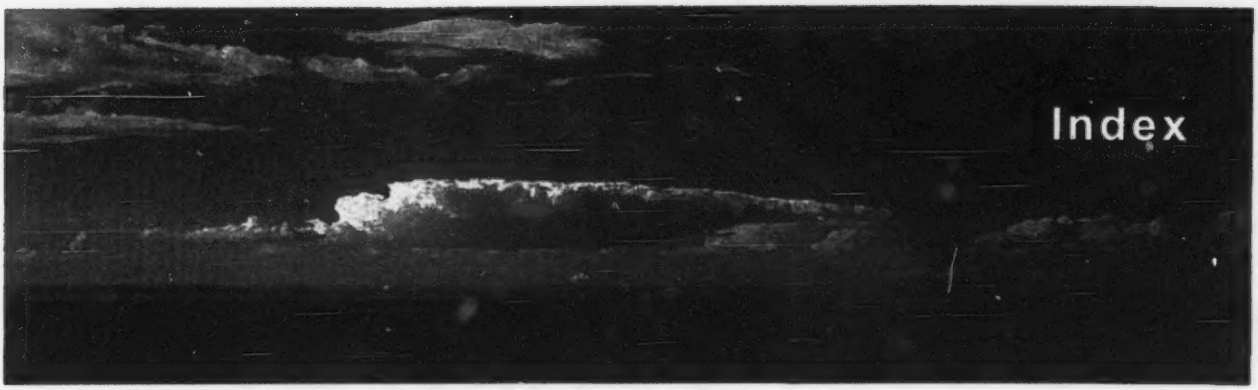


Prince Edward Island Business Development Inc.

Atlantic Technology Centre

PEI Food Technology Centre





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Message from the COO

Honourable Richard Brown
Minister of Innovation and Advanced Learning
PO Box 2000
Charlottetown, PE
C1A 7N8

Dear Minister,

I respectfully submit the PEI Business Development Inc. Annual Report for the fiscal year ending March 31, 2008.

I am pleased to report that PEI Business Development continues to play a vital role in a growing provincial economy. Over the past year, staff at PEI Business Development have been working diligently to attract new business investments while creating exciting, rewarding employment opportunities for our citizens.

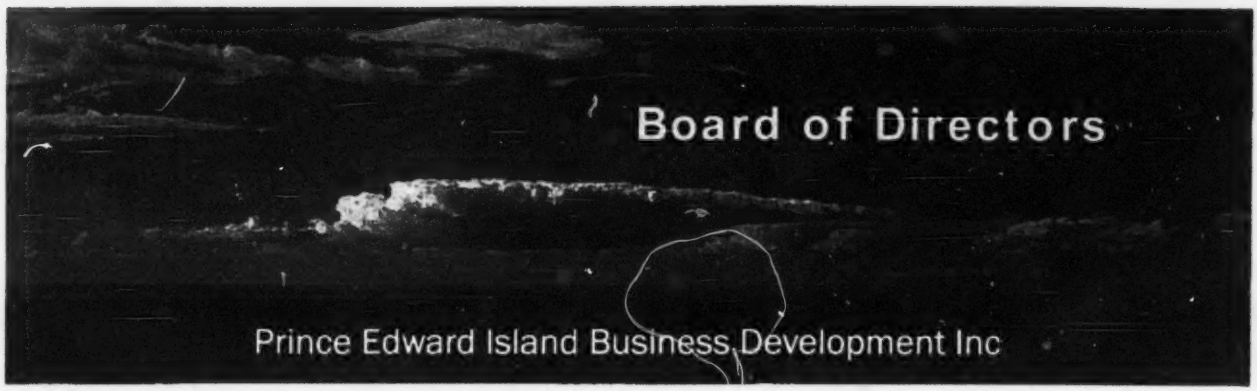
Prince Edward Island continued to make strides in creating employment in growing sectors such as aerospace, bioscience, manufacturing, food processing, and information technology.

Our province is fortunate to have a highly skilled labour force, competitive corporate tax rate, in addition to first rate business and communications infrastructure. As a result, Prince Edward Island is making a name for itself as a prime location to do business.

In closing, I wish to thank the employees of PEI Business Development for their hard work and dedication in helping clients pursue their goals while creating employment opportunities for Islanders.

Sincerely,

Neil Stewart
Chief Operating Officer
Prince Edward Island Business Development Inc.

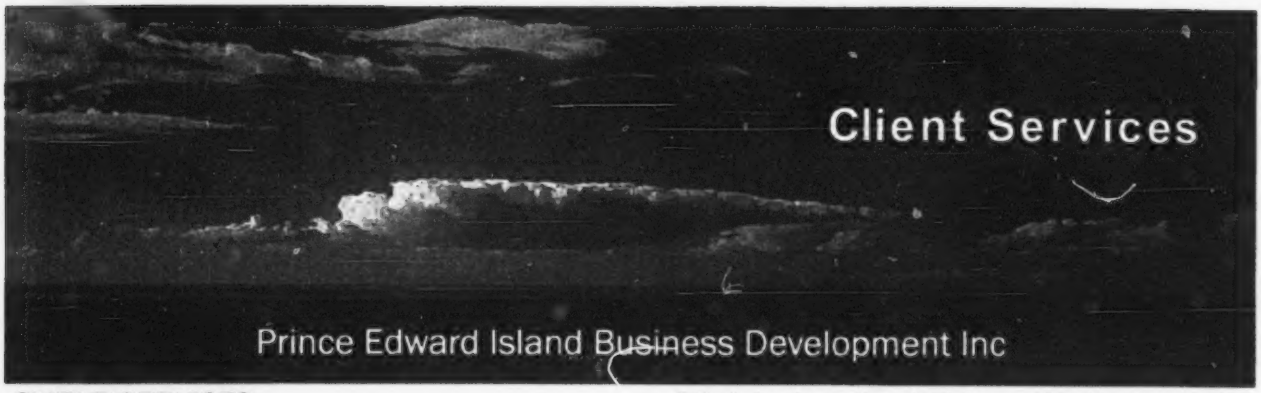


PEI Business Development Inc.

- Brooke MacMillan, Deputy Minister (Chair)
- Hon. Richard Brown, Minister (Vice-Chair)
- Paul Jelley, Director
- Charlie Cooke, Director
- Dale Larkin, Director
- Terry McKenna, Director
- Allan Smith, Secretary/Treasurer

Atlantic Technology Centre

- Brooke MacMillan, Deputy Minister & Chair
- Reagh Hicken, Director
- Allan Smith, Director



CLIENT SERVICES

The Client Services Division is responsible for the coordination and delivery of information and assistance to new and existing local businesses in Prince Edward Island. Specifically, the group provides counseling, financial assistance, business guidance, entrepreneur education and management development to assist businesses with start up, expansion and diversification of business that supports the long term viability of Island companies.

Supporting the small business community continues to be a high priority within PEI Business Development. There are over 10,500 businesses on PEI (6,150 with employees) Ninety six percent are classified as a small business employing less than 50 people. These companies on average contribute $408,000 to the GDP or an estimated $4.1 billion in total annually.

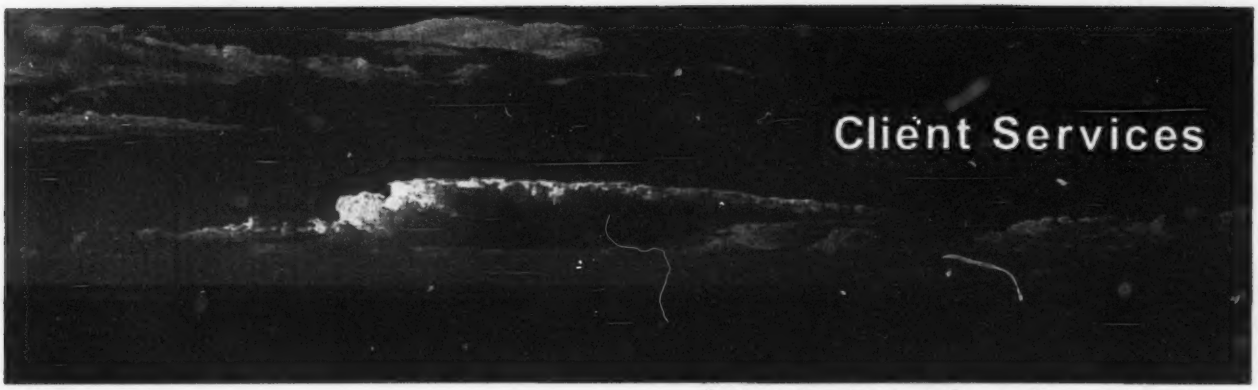
The Division actively supports small business and encourages entrepreneurship through cost shared financial assistance for capital acquisitions, market development, technology, training and innovation. Presently the Division delivers 22 different incentive programs targeted at a variety of industry sectors. Three hundred and fifty projects were directly assisted under a variety of small business support programs at PEIBD during 2007-2008 fiscal year.

Succession Planning

Just as there is less entrants into the labour market due to decreasing population, there is an equally less number of potential business owners looking to purchase a business. During this year a Succession Planning Program was introduced to encourage Prince Edward Island businesses to undertake initiatives that will lead to a successful transition ensuring a more stable future for the business. This assistance will help small business owners ensure the continuation of their business by obtaining professional expertise associated with the consultative process and development of a comprehensive succession plan for the enterprise. Five projects were assisted in the first year.

Highlights

- Usually the first contact for Islanders seeking business information, financing mentoring or counseling, client Services staff are located across PEI with employees in each County
- 352 projects directly assisted to small business in last fiscal year resulting in investment of $8 million into companies Island
- Approximately 25 information sessions on services provided by staff to various groups and organizations
- Estimated 4,000 client meetings in past year
- 49 projects approved under progressive tax programs resulting in investment in excess of $2.5 million
- 762 small business owners/managers received training in 11 communities across PEI under the Profit Learn Program
- Assisted Island companies with the creation of 434 jobs planned



Partnerships

Client Services endeavours to work with groups and organizations representing the private sector small business community in order to ensure our investment results in maximum outcomes and wealth creation. Among the many groups and projects that we partnered in were;

- **ArtisanPEI.com** In recognition of the Year of the Craft, this group of 35 artisans created a marketing effort that provided an experiential vacation to tourists by opening up their studios to visitors

- **Excellence in Manufacturing** This is a consortium of approximately 15 Island companies that is dedicated to continuous productivity improvement by sharing with one another their ideas, experiences and resources.

- **Innovation and Technology Association of PEI** PEI Business Development continues to work with this organization by helping with its rejuvenation plan, project management training and an ongoing Tech Talk series aimed at keeping its members abreast of current trends.

- **Chambers of Commerce** PEI Business Development has supported Chambers across PEI in many projects. One significant contribution is sponsorship of a series of Business Excellence Award ceremonies that recognize the accomplishments of our leading businesses

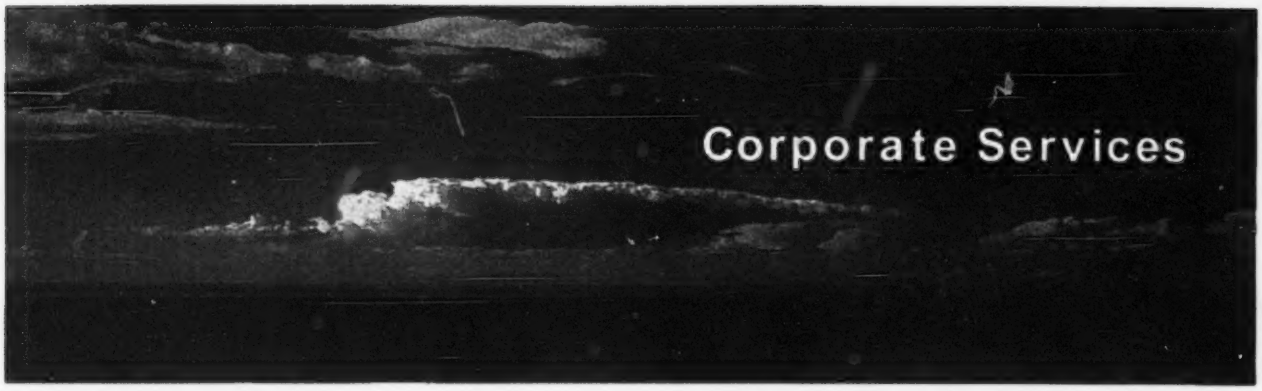
- **UPEI Centre for Life long Learning** PEI Business Development has partnered with this organization and ACOA to provide ongoing business skills training including ProfitLearn PEI which assisted 762 individuals this past year

- **Central Development Corporation** PEI Business Development developed the partnership with this economic development organization, ACOA and small businesses to address the needs of growing companies that require high level financial advice (Chartered Accountant) on an ongoing basis. The CFO (Chief Financial Officer) project is a pilot project presently with three companies sharing the employee.

LaunchPad

This initiative is an innovative approach to developing emerging technologies into viable businesses. LaunchPad is a business incubation system that provides new and emerging information technology firms with access to the resources they need to grow and attain long-term success within an environment that fosters information technology development, commercialization and successful business management practices.

Client Services has successfully created and operates one incubator for technology companies at the Atlantic Technology Centre in Charlottetown. A second incubator for mixed use is under construction in Summerside in the Holman's Building and a third initiative for student entrepreneurs has been negotiated with Holland College for opening in the fall of 2008.



FINANCIAL SERVICES

The Financial Services Division provides financing, strategic investments and loan guarantees in support of Prince Edward Island businesses to create, maintain or expand business opportunities that will result in wealth and job creation for the Province.

Our lending and investment activities are focused on manufacturers, processors and service providers in the Corporation's priority development sectors, with emphasis on businesses involved in exporting to domestic and international markets, import replacement and value-added processing.

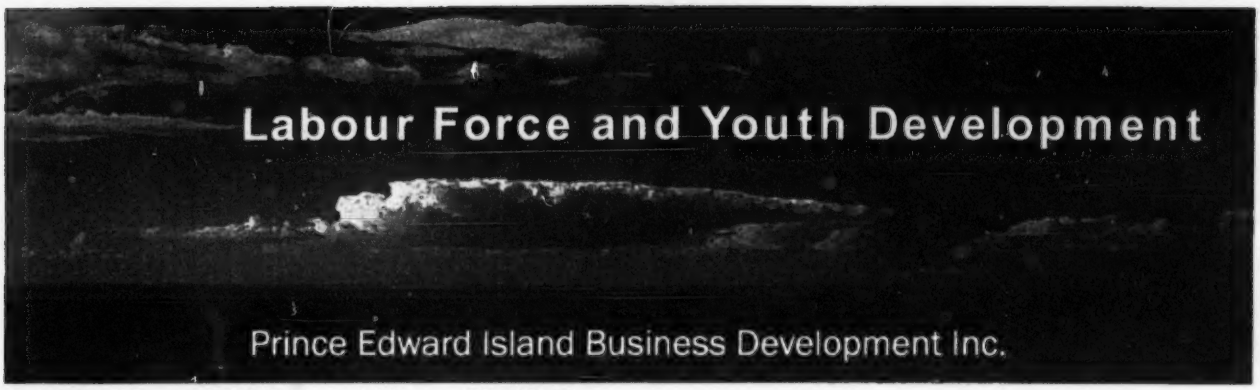
As a developmental lender, the Division seeks innovative and generally higher risk projects than conventional lenders. By utilizing a non-formula approach to lending, the Division strives to maximize development opportunities for the Province while balancing financial risk of the project with the projected economic return.

The Division prides itself in providing clients with innovative financial solutions that generally involve multiple stakeholders, including conventional lenders and other business development agencies. This is achieved by using a variety of financial products, such as demand loans, revolving lines of credit, term loans, equity investments and loan guarantees to meet the client's specific financing needs.

As a complementary lender to that of conventional lenders, the Division plays an unique and important role in the lending marketplace. By developing partnerships with conventional lenders and other business development agencies, the Division assists its clients to leverage additional financing and other resources required to enable the projects to proceed. Also, as part of its non-conventional approach to commercial lending, the Division can act as a financial intermediary, utilizing staff expertise in banking and accounting to assist clients to assemble financial packages for their projects with other lenders and government agencies.

Highlights

- Provides financing, strategic investments and loan guarantees in support of Prince Edward Island businesses. In fiscal 2008, the portfolio grew to $53 million, up 15% in comparison to the previous fiscal, with a total of 90 client accounts.
- Manages the loan portfolio of Island Investment Development Inc. (IIDI), a separate Crown Corporation. IIDI invests federal immigrant funds through low interest term financing to Prince Edward Island businesses where there will be significant economic benefit to the Province. During the fiscal year, the loan portfolio exhibited strong growth, increasing to 53 client accounts with a total of $64 million outstanding, an increase of 47% and 25% respectively in comparison to fiscal 2007.
- Manages the Entrepreneur Loan Program, which serves the needs of the micro loan market by guaranteeing term loans to finance small business start-ups and expansion opportunities for up to 50,000. This program has 47 loan guarantee accounts with $705,000 under management.
- Manages the Winter Production Financing Program, which provides loans to new and expanding craft and giftware manufacturers to increase product inventory during the winter months to meet peak sales periods. The portfolio has 34 client accounts totaling $221,000.



LABOUR FORCE AND YOUTH DEVELOPMENT

The Labour Force and Youth Development Division coordinates and delivers programs and services to assist individuals, businesses and sector/ professional associations to explore and promote careers in Prince Edward Island.

The Division's main responsibility is to engage youth in the pursuit of skills development, leading to the next generation of PEI's skilled workforce and business leaders. Our clients include youth under the age of 30, small business, community groups and those associated with education and training in workforce development.

Our partners include the University of Prince Edward Island, Holland College, private trainers, sector associations, professional associations, K-12 sector and various labour-related agencies at the federal and provincial level.

Additional services provided to clients include consultation and counseling, access to skill development, program creation/delivery and in some cases mentorship. The Division provides a large majority of our counseling services in the communities requested by the client.

Organizational priorities such as new business creation, economic development and overall wealth creation are aligned with programs supported by the Division.

Assistance provided is not only one of a financial form, but also one that plays an active role in community boards and committees, program delivery and leadership on required infrastructure.

The Division has an active seat on the Junior Achievement Provincial Board, Skills Canada, Regional IT Centres Boards, Atlantic and National CAP Associations and various sector councils.

The Division continues to have strong relations with Industry Canada concerning the co-delivery of the Community Access Program (CAP), which in Prince Edward Island boasts 41 sites and more than 140,000 annual visits.

Prince Edward Island is viewed as a role model, which focuses mainly on community development, job creation and workplace experience for youth. In addition, the Division utilizes its competency in Information and Communications Technology to work with industry, communities and the Federal Government to advance further broadband capabilities in the province.

Prince Edward Island
CANADA

Labour Force and Youth Development

Prince Edward Island Business Development Inc.

Through a Human Resource and Skill Development Canada's (HRSDC) youth initiative, the Division co-delivered a program to give youth between the ages of 15 and 30 valuable work experience in the IT sector.

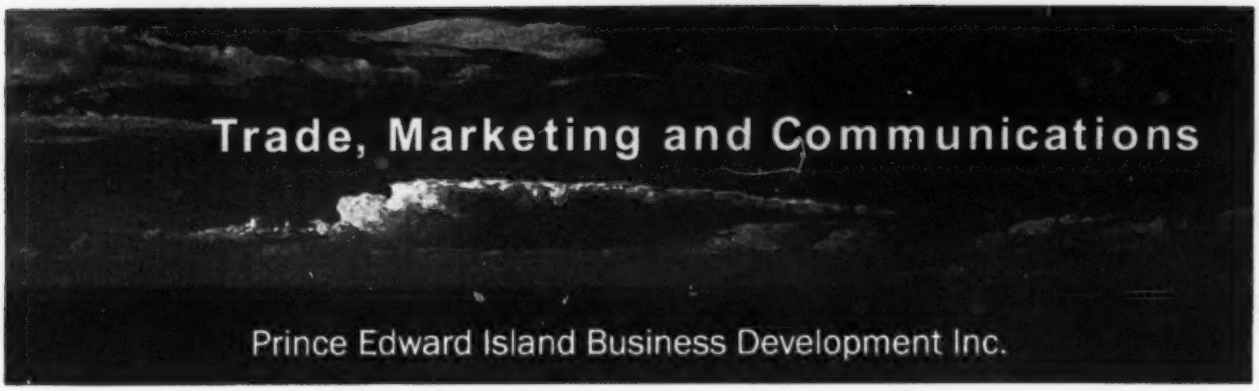
Fifty positions were created in 2007-2008 to make a total of over 630 since the inception of this partnership.

Regional Technology Centres, established in Cardigan, Kensington and O'Leary, are regional centres that provide local businesses and the general public access to the latest information and communications technologies.

In addition to rental space, smart boardrooms and broadband connectivity, the centres offer training in full-size computer labs which are heavily utilized by sector groups in agriculture and tourism.

Highlights

- 200 participants in the Seniors Net Program
- Graduated more than 260 students from the video game design program in PEI schools called GameForce: Designers Bootcamp
- Conducted a total of 12 sessions combined in the new Bio-Tech (High School), IT Youth (High School) and IT Speaker Series for UPEI
- Worked on committee to host the 2009 national Skills Canada competition
- Assumed responsibility for the recruitment of Shad Valley Program Participants
- Maintained program delivery responsibility for the Young Millionaires program in the Charlottetown and surrounding area in support of the provincial program offered in all regions
- 68 positions created and maintained in PEI communities to support the Community Access Program (CAP)
- 41 PEI CAP Sites functional with more than 140,000 annual visits



Trade, Marketing & Communications

The mandate of the Trade group is to increase revenues generated from export sales and to assist Prince Edward Island companies in becoming export ready.

The Division provides training, support for market-entry activities and market-specific information. It also represents the Province on the management committees for regional agreements such as the International Business Development Agreement and the Atlantic Canada Food Export Partnership.

Trade Missions

The Division leads a number of trade missions each year. These missions provide a cost-effective method for companies to gather information on logistics and competition. They also provide participants with face-to-face meetings with pre-screened prospective partners in the target geographic areas. There are three different types of missions:

Team Canada Atlantic Missions

Team Canada Atlantic is a partnership that includes the Atlantic Canada Opportunities Agency, Agriculture and Agri-Food Canada, Industry Canada, Foreign Affairs and International Trade Canada as well as the four Atlantic Provinces. Team Canada Atlantic organizes trade missions to the United States.

Since 1999, more than 376 companies have participated in Team Canada Atlantic Trade Missions. Last year, 17 PEI companies visited Boston and have projected increased revenues of $6.4 million.

Trade Team PEI Missions

Trade Team PEI Missions involve a network of provincial and federal departments and agencies with responsibilities for trade development in Prince Edward Island. In this fiscal year, delegates have traveled to China, South America, New England, Ireland and the Eastern Caribbean. Increased revenue from these activities is expected to be $8.41 million.

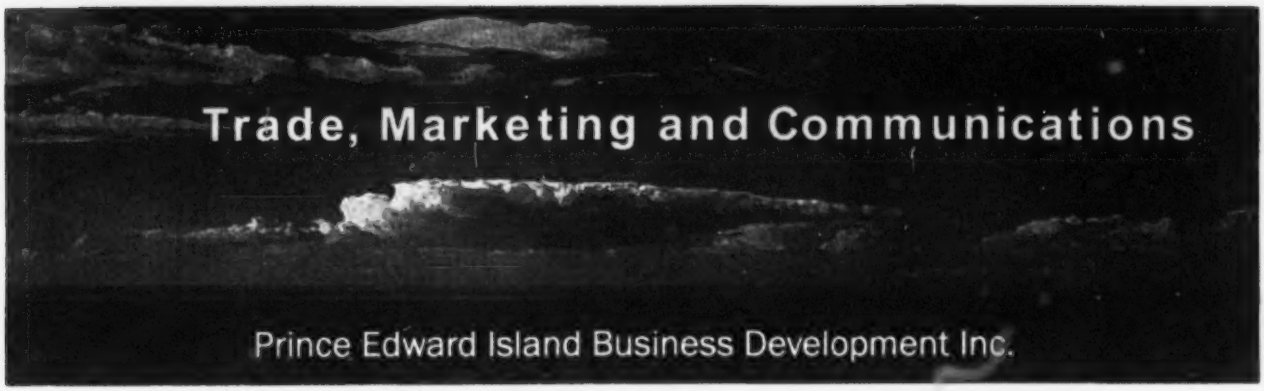
PEI Business Development Inc. Missions

The Agency leads missions to domestic markets. These include Edmonton and Calgary. Last year, four missions resulted in increased revenues of $20 million.

Marketing

The Marketing & Communications group provides marketing support to all divisions within Prince Edward Island Business Development Inc., the Atlantic Technology Centre and the PEI Food Technology Centre. Additionally, this Division provides marketing advice and funding to Prince Edward Island businesses, develops and executes entrepreneurial training programs and organizes festivals, trade shows and other local events.

TRADE TEAM
Prince Edward Island
Canada



Trade, Marketing and Communications

Prince Edward Island Business Development Inc.

Small Business Week—A World Without Boundaries, Open to New Markets

Small Business Week was held October 14 - 20, 2007. PEI Business Development Inc. was a major sponsor and offered assistance in organizing various events, activities and workshops across the province that were organized to pay tribute to small businesses across Prince Edward Island. Small and medium sized enterprises continue to form the backbone of the provincial economy and are the most consistent source of job creation.

International Boston Seafood Show

Once again this year, several Prince Edward Island based processors exhibited and attended the International Boston Seafood Show. Prince Edward Island was the lead on this international festival, held March 11-14, 2007, in Boston which was attended by the four Atlantic Provinces. By participating in trade shows such as the International Boston Seafood Show, Island companies are able to gather information and establish contacts in international markets.

Canadian International Food and Beverage Show

PEI Business Development Inc. coordinated the provincial booth presence for the Canadian International Food and Beverage Show between February 18-20, 2007, at Toronto's International Centre. Five PEI processors joined nearly 300 exhibitors and buyers from around the world. It continues to be an international showcase for food and beverage products in the food service and retail grocery markets and attracts 10,000 people.

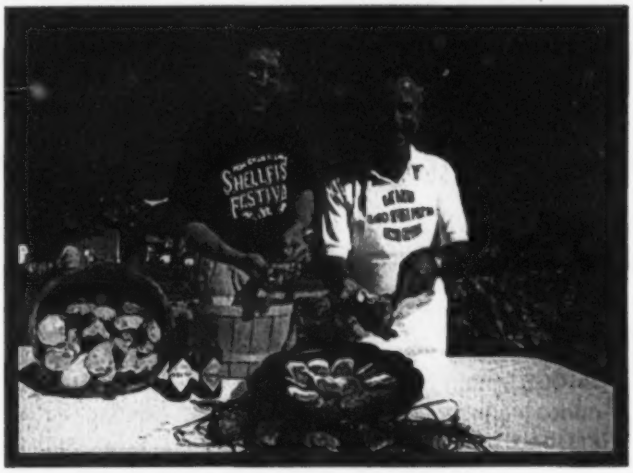
European Seafood Exposition

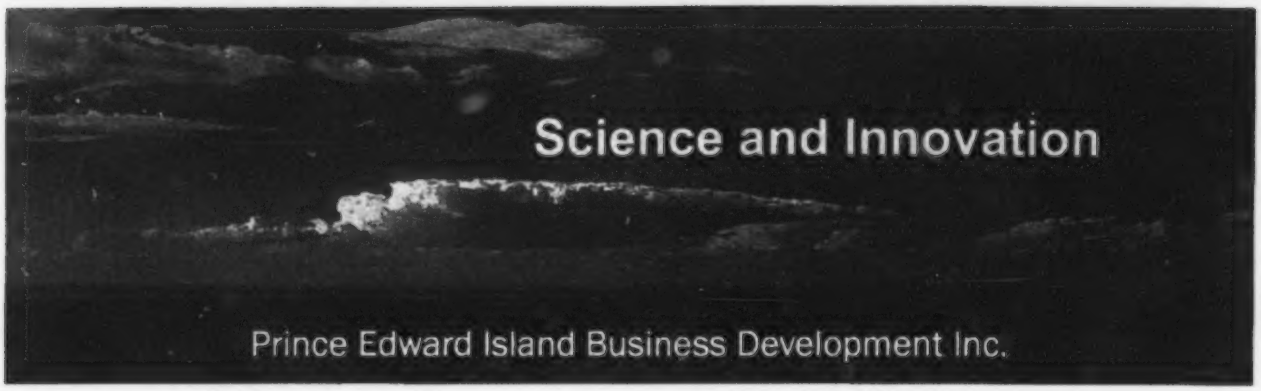
PEI Business Development coordinated the provincial booth with five PEI companies attending the show in Brussels, Belgium.

Marketing Counseling and Support

This Division provides counseling support to Prince Edward Island small businesses in the areas of market planning, promotional tool development, sales distribution contacts and new product development.

The Division works with companies on projects ranging from individualized training on export security to competitive intelligence to market entry. This support leads to increased sales for Island companies as the explore export opportunities in new markets.





SCIENCE AND INNOVATION

The mandate of the Science and Innovation Division is to increase research capacity and transform innovative ideas into commercially viable products and services.

The Division works cooperatively with other local agencies and government departments, both provincial and federal, to provide financial support, guidance and business services to private sector businesses, research institutions, and commercial entities across all sectors.

Research and Development

The Government of Prince Edward Island is committed to Research and Development as an important component in growing its knowledge based economy. During the past year the Science and Innovation Division has assisted a number of major projects with core funding which has assisted research facilities in leveraging dollars for their institutions. These include:

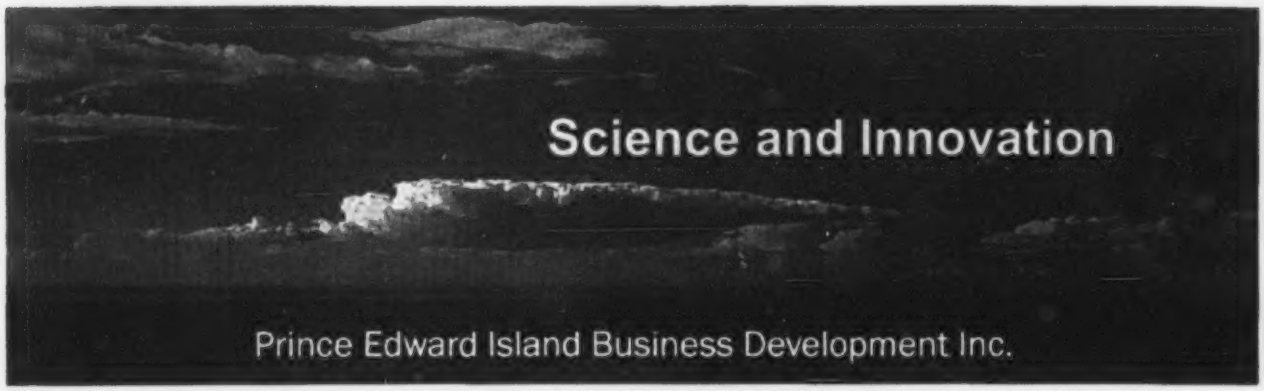
- Development of the Atlantic Centre for BioProducts Research at AVC
- Support for the PEI Health Research Institute on-going operations
- Support for the PEI BioAlliance Cluster Initiative

In addition the Science and Innovation Division supported numerous private sector companies with research and development assistance for their product or service.

10-Year BioScience Tax Holiday

The Science and Innovation Division is involved in prospecting companies to Prince Edward Island. To assist with this new business attraction, the Government of Prince Edward Island, through PEI Business Development Inc., introduced a 10-year BioScience Tax Holiday.

Over the years this program has helped to attract such companies as Novartis and Genzyme. Furthermore, in 2007-2008, a number of Prince Edward Island's smaller bioscience companies have reached the capacity, from an employment perspective, where they are now eligible for this tax rebate. This is proof that the program is an excellent tool for both attracting and maintaining bioscience businesses in Prince Edward Island.



Other Areas Of Focus

The Science and Innovation Division, in support of its efforts in prospecting, has partnered with a number of local institutions to support and attract major conferences to the region.

- **Nutrisciences and Health 2007** - hosted by the National Research Council Institute for Nutrisciences and Health
- **Innovet 2007** - hosted by the PEI BioAlliance
- **Atlantic Research Money Conference** - co-sponsored with ACOA

The Science and Innovation Division also attended major trade events and conferences that presented partnership and investment opportunities. In the past year the Division attended the following events:

- BioPort Atlantic
- BIO 2007
- Bio North
- BioFusion 2007

Commercializing Research & Development in the Private Sector

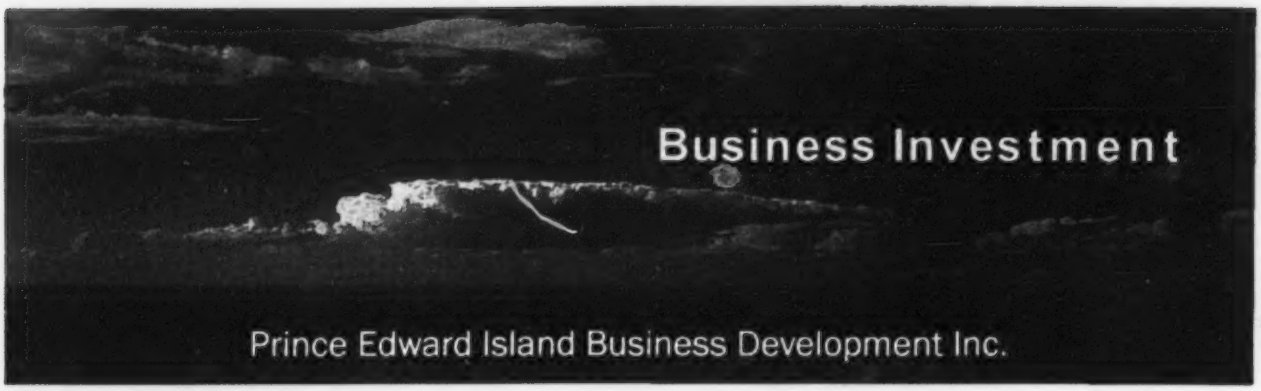
The Science and Innovation Division supports the growth and expansion of companies by assisting with partnering opportunities, marketing, as well as networking initiatives to leverage opportunities required for growth.

Special Projects

The BioScience Networking and Commercialization Series saw the Province, in collaboration with its' local partners ACOA, NRC-INH, PEI BioAlliance, UPEI and private sector, host a session almost every month. These fulfill a vital role in offering a forum for learning and discussion as well as exposing the local community to authoritative national and international speakers.

The Sanofi-Aventis Biotech Challenge has grown to include a second coordinator whose time is devoted solely to this program. This has meant the program has gained in momentum and participation by high schools in the Province.

The Network Members Agreement Fund is a collaboration with the National Research Council of Canada and the Industrial Research Assistance Program. This delivered a Network Members Agreement valued at $95,000 to support private companies in their efforts to increase exports.



BUSINESS INVESTMENT

The role of the Business Investment Division is to attract outside investment to establish business operations in Prince Edward Island.

The Division continues to focus on exceeding very defined goals in generating business leads, attracting new investment and creating employment opportunities in the sectors of Aerospace, Food Processing, Financial Services, Manufacturing and Information Technology.

Each of the priority sectors in Prince Edward Island have core competencies that provide competitive advantages and clear focus areas.

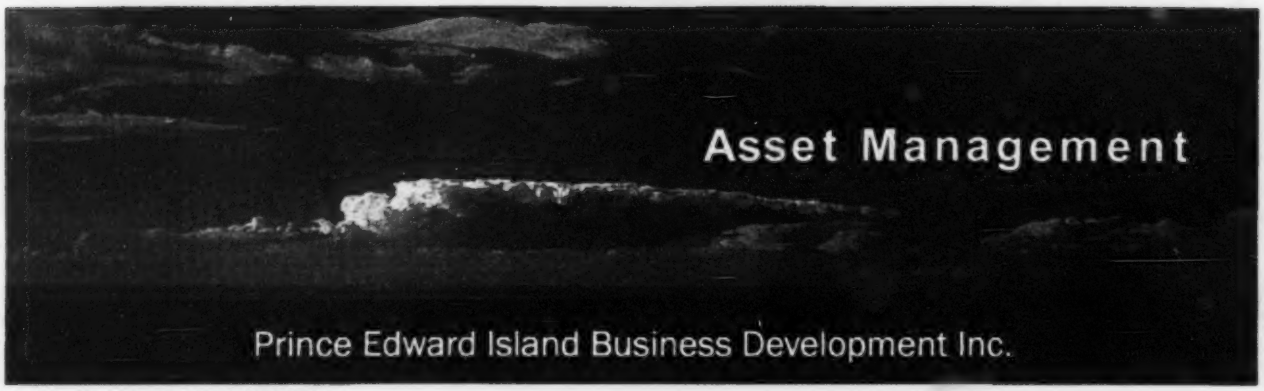
Prince Edward Island continues to be one of the lowest cost business location in the G8 according to 2008 KPMG study. Over the past year, the Division has attracted five new investments to Prince Edward Island that will create a minimum of 294 new positions in the province. The payroll for these positions over the next ten year period should exceed $100 million.

The Division coordinated four new strategic infrastructure projects including the completion of a nearshore development centre in Stratford, Prince Edward Island (CGI); the development of a financial services centre in Charlottetown (Invesco); the development of an IT centre in Summerside (Holman Building), and the development of a manufacturing centre in Kings County (Opacmare).

The estimated development cost of the projects is more than $19 million in new construction.

For the upcoming year, the Division will be focusing on creating new investment opportunities. The Division is participating in a number of investment attraction activities and is poised to complete a number of projects in all sectors.

The Business Investment Division has also been responsible for increasing the awareness of Prince Edward Island as an investment location. Through an investment promotion group made up of all three levels of government called InvestPEI, several initiatives were developed including a revised investment web site and CD Rom.



ASSET MANAGEMENT

The mandate of the Asset Management Division, under the direction of PEI Business Development Inc., is to administer and develop real estate property and assets owned by the Province of Prince Edward Island.

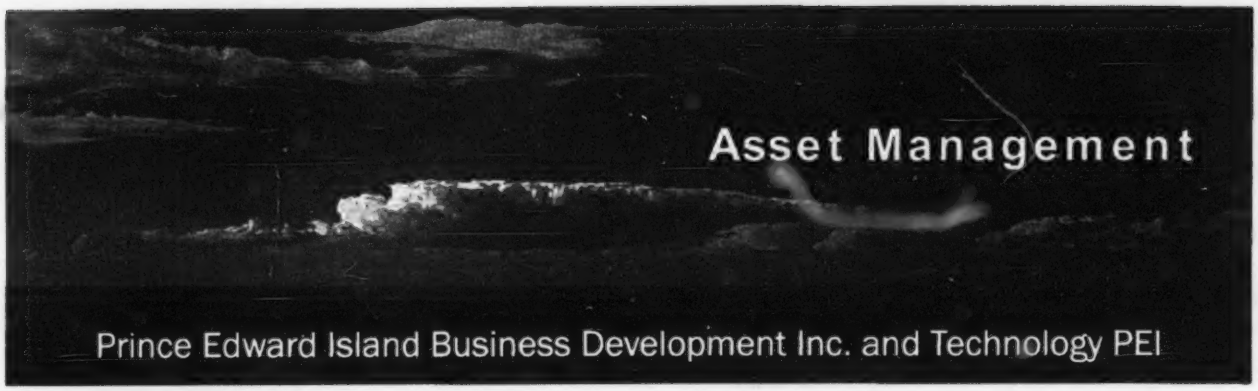
The property portfolio has rental properties and vacant land for development available to sell for development purposes at industrial parks across the Island including Borden-Carleton, Summerside, West Prince, Kensington, Cornwall, Charlottetown Airport, Stratford, Pooles Corner and Souris. Properties that house industry specific sectors such as the Food Technology Centre (FTC), the Atlantic Technology Centre (ATC), and the corporate offices at 94 Euston Street are managed by the division. There are also a number of other "strategic" properties, i.e., Cabot Park and Cousin's Shore, being held for future development.

During the 2007 – 2008 fiscal year, the following conveyances occurred:

- Tignish property is being transferred
- Opacmare Americas received lease assistance from Active Communities

Preliminary BioPark discussions on planning involvement were held and the following properties were divested:

- Mount Pleasant land was sold to Gillis Welding
- Land in the West Royalty Business Park was sold to Aqua Health to accommodate a manufacturing facility
- Sid Hurry Upton Lands was sold to New Homes Plus for residential development
- Gateway Village, Phase I & II was sold to Cheryl & Hal Roche
- Community of Morell received lands to be used for a park expansion and possibly the construction of a new community centre
- Transportation & Public Works received lands to increase recreational space at the adjacent West Royalty Elementary School
- Three parcels of land in Murray Harbour were acquired for future development
- New tenants who took up residence within the West Royalty Business Park during the fiscal year include Syntrak Print & Graphics and Fundy Engineering



Environmental Industrial Services Inc.

The mandate of Environmental Industrial Services Inc. (EISI) is to provide infrastructure, operation and management of water supply and wastewater treatment facilities for strategic developments.

In addition, EISI provides professional technical services to the Ministry including cost estimation and review, assistance in preparation of government applications, assistance in obtaining quotations from consultants and/or contractors, general project management, review of reports and proposals, coordination with other government departments and troubleshooting.

EISI Inc. owns and operates the following water and/or wastewater utilities: Water supply utility companies in Georgetown, Brudenell Resort, Crowbush Resort, Albany Treatment Plant, Alberton and Northport. Wastewater treatment and facilities are also located at Brudenell Resort, Crowbush Resort, Mill River Resort, Bloomfield, Albany Beef Plant and McCain Foods.

Wastewater facilities owned but not operated by EISI include Cavendish Farms, McCain Foods and Agra West Foods. It also has wastewater facilities and operations under contract to Humpty Dumpty/Small Fry.

Highlights

- **Georgetown Municipal Rural Infrastructure Fund (MRIF) :**

Phase I Updating wells and adding chlorination
Status: Ongoing
Phase II Installing SCADA system Status: Omitted
Phase III Expansion of water lines to reach more customers. Status: Completed

- The transfer of assets between BDI and EISI have been realigned to reflect proper ownership. This included transferring the following properties to EISI from PEI Business Development:

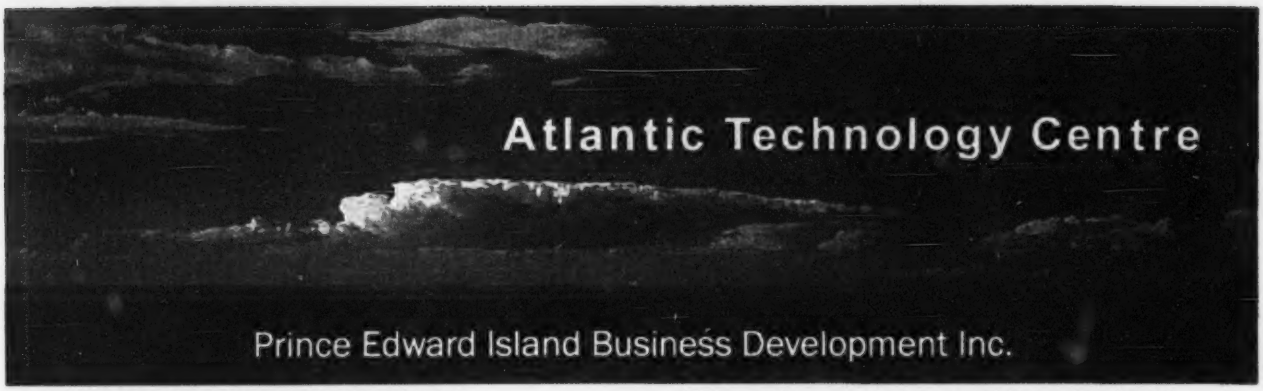
  - Bloomfield Waste Waster Treatment Plant
  - Mill River Waste Water Treatment Plant
  - 2 parcels at Crowbush Water/Wastewater Treatment Plants
  - Bloomfield Call Center and Cabot Park lands were transferred from EISI to BDI

- Mill River Leisure Village Water Supply was turned over to new owners.

- Fire Pond was transferred to Atlantic Store Décor.

- As a condition of the sale of Gateway Village Phases I and II, a force main relocation was undertaken since the force main, at that time, ran underneath the Visitor Information Centre building. EISI Inc. Circumvented the force main and created a bypass on Transportation and Public Works land.

- EISI and Humpty Dumpty/Small Fry entered into a 12 month operating agreement for the Waste Treatment Facility at Humpty Dumpy.



ATLANTIC TECHNOLOGY CENTRE

Atlantic Technology Centre (ATC) provides an environment for growing IT and New Media companies to expand, develop new partnerships and operate in a facility designed to promote development and growth.

ATC is 97 per cent occupied with an on-site corporate office which acts as landlord to more than 23 companies that employ approximately 400 people within the building. Companies residing in ATC reflect industry representation in production, e-learning, gaming, animation, advanced technical training, post production, video game testing and computer programming.

Over the next two years, ATC plans to undertake increased certification levels in its data center. ATC will be able to market the data centre to a wider range of clientele with specific IT needs. This will result in more clients becoming interested in leasing cabinets in the data centre, as well as an increased appreciation and realization of the technologies and security equipment that are installed for the purposes of safeguarding the property of our clients.

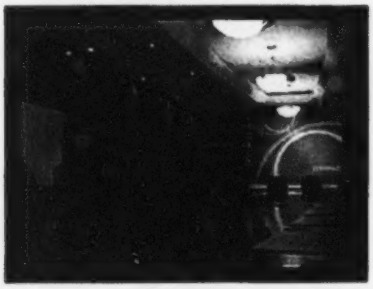
Education and Prince Edward Island

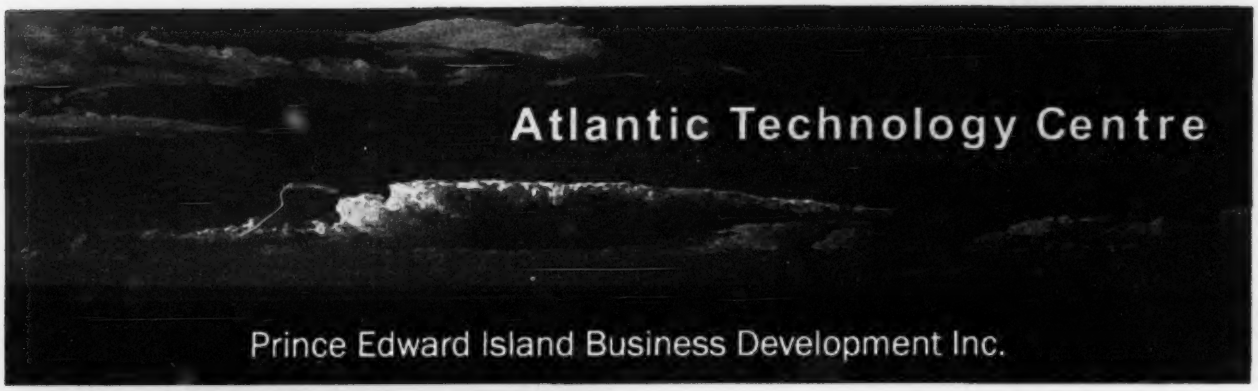
Islanders are becoming more educated and comfortable with various advanced technologies available to them through ATC. Companies are utilizing the technologies and facilities ATC offers. This is allowing companies to do business more cost effectively and in real time.

Companies and departments in both the private and public sectors are realizing the value and efficiencies in utilizing the advanced technologies ATC offers.

ATC is experiencing an increase in facility use. Staff regularly receive inquiries about video conferencing for one-on-one job interviews and even large group information sessions. ATC is able to provide first class infrastructure and facilities for a wide variety of events such as press conferences, seminars and even large scale information sessions delivered nationally.

ATLANTIC
TECHNOLOGY
CENTRE





Atlantic Technology Centre

Prince Edward Island Business Development Inc.

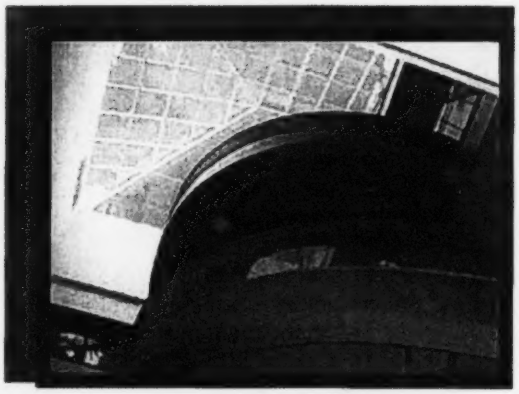
Highlights

- Data Centre continued to increase the number of companies collocating
- Approximately 400 people were employed at 23 different companies
- Hosted local, regional and international meetings and conferences
- In September 2007, ATC entered into its fifth year of operation.
- The majority of New Media companies were able to hire more employees and expand their operations. These companies included Telos Productions, Other Ocean Interactive and Sculpin QA and its counterpart, Longtail Studios.
- Shared Solutions, an online legal network company that connects law firms, courts, students and clients to legal documents, decision makers and filing of legal documents with the courts, grew from its initial LaunchPad Incubator Program office space of approximately 225 square feet to an office space of 1,770 square feet. New tenants residing in ATC for the 2007/08 fiscal year included:

- Sculpin QA
- Longtail Studios
- Shared Solutions
- Ceridian Canada
- Amvescap
- Hard Drive Café

- The ATC Community Access Program (CAP) has been in operation since September 2004. Its main purpose is to provide Internet access to the general public via six computer terminals on the lower level of the building. Site staff offer year-round public training courses, as well as children's computer camps throughout the summer and occasionally during Christmas and March breaks.

The ATC CAP site conducted five, week-long computer camps during the summer for approximately 70 youth, ages six to 14. In addition, computer training classes were offered to the general public at a rate of two to three per day during the summer months. There was an average of 1,800 visitors per month



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Hosted Events

- Basic and advanced Game Force Designer's Boot Camps were delivered at the ATC and across the Island for youth 12 - 15 years of age.
- The training lab and fit-up meeting rooms were used to provide training to employees from provincial government departments, DVA, Metro Credit Union, the PEI Real Estate Association, Nexient Learning and the Learning Tree.
- Impact Expo on the lower level of the ATC building attracted over 200 high school students from Colonel Gray High, Montague Regional High, Kinkora Regional High, Intermediate Senior High and Bluefield High participated. Industry representatives from PEI Business Development Inc., Information Technologies Association of PEI (ITAP), IT Sector Council (ITSC) and the Cultural Human Resources Sector Council (CHRSC) set up booths. Game Plan presentations were held in the training lab and presentations were delivered by LongTail Studios and Sculpin QA.
- The year's most successful Canadian Radiothon Fundraiser, hosted by Ocean 100/K-Rock 105.5 Newcap Radio, was held at the ATC.

FOOD TECHNOLOGY CENTRE (FTC)

The Food Technology Centre (FTC) provides innovation and technical support for food and bioresource processors. All of the work done at the Centre is as project contracts or service contracts for industry.

The Centre completed 33 project contracts in fiscal year 2007-2008. There were 28 signed project contracts in progress at the end of the fiscal year and there were 28 project contracts proposed or developing at year-end.

These project contracts and service contracts earned $873,823 in revenue to supplement the operating grant provided by the Province of Prince Edward Island.

FTC also provides short course practical training to industry. Two FSEP (HACCP) workshops have been delivered over the past year. These courses are three days in duration and deal with food safety and sanitation. The Centre partnered with Agriculture and Agri-Food Canada to provide a Supercritical Fluid Extraction Workshop in March. A Product Development workshop was held in October. FTC provided production training for two companies who used the incubation facilities at the Food Technology Centre. Our food safety training staff also provided food safety/production training to three companies at their plants.

Since November 2006, FTC has been distributing a monthly e-newsletter to about 2000 clients and key contacts as well as to selected Government contacts to promote its activities and as a marketing tool.

These case studies from the newsletter illustrate the type of work done at the Centre:

February 2008

ADL Flavoured Butter Oil Product Development

Amalgamated Dairies Limited (ADL) is the largest home-grown food company on Prince Edward Island with annual sales of over $100 million. ADL offers a wide range of dairy products for sale under the ADL label and other national brand names. Over 80% of ADL's annual production is destined for markets outside of PEI.

ADL progressively develops products which will expand its market share. Butter oil is a unique milk product that consists of pure butter fat which is separated, clarified and flavoured to best suit the needs of discerning consumers. It is free from milk solids and moisture. Technically, it is known as anhydrous milk fat (AMF). It is used extensively in food service and households for flavouring and gourmet cooking.

The Food Technology Centre developed a process for flavoured butter oil products which will last for months at ambient temperature (22°C). FTC solved technical difficulties and tested the process at pilot scale and developed the most economical and efficient process conditions for manufacture of the products. The optimum process was determined and the results were transferred to ADL who plan to begin commercial production this year.

For further information on the product, please contact Mr. Chad Mann, Amalgamated Dairies Limited at (902) 888-5088.

Throughout this project FTC has enjoyed the opportunity to partner with the Culinary Institute of Canada (CIC) to take advantage of CIC's expertise in product formulation. The Canadian Dairy Commission provided financial support for the work through their Milk Ingredients *Innovation Support Program*.

January 2008

Island Abbey Foods Ltd. — The Honey Drop™ — Non-Messy Honey

The Honey Drop™ hot beverage sweetener solves a common problem — liquid honey can be messy. The Honey Drop™ is an individual serving (one teaspoon or 5 g) of 100% pure dried honey without any additives or binding agents. It is ideal for sweetening tea or coffee. Simply drop into a hot beverage and stir. It has all the natural honey flavour without the usual honey mess.

Island inventor and entrepreneur John Rowe first conceived the idea of non-messy honey after several 'liquid honey accidents' in the 1990's. After spending many years searching, John realized that an all-natural, dried honey product did not exist! They all contained sugar, corn syrup, or other additives. John took measures into his own hands, and the Honey Drop™ was born. The FTC was engaged in 2004 to assist with John's R&D and scale-up to mass production.

Island Abbey Foods Ltd. is currently producing the Honey Drop™ in FTC's food processing incubator. The Honey Drop™ comes in two flavours, pure honey and pure honey and lemon. The Honey Drop™ is available in packages of 20 units for retail sale or in bulk for food service. The Honey Drop™ has a shelf-life of one year and does not contain any artificial colouring, flavouring, or preservatives. The Honey Drop™ is an all-natural product of PEI.

For more information on the Honey Drop™ please contact John Rowe of Island Abbey Foods Ltd. at (902) 969-9848 or visit Island Abbey Foods Ltd. online at www.Honibe.com.

April 2007

Chef Wing Chinese Restaurant Sauces

Chef Wing Yip, owner of the Lotus Garden Restaurant in Kensington, PE, is originally from Hong Kong, and worked in Toronto and Halifax as a chef before moving to PEI in 1994. He gained more experience by working for six years as a chef at another Chinese restaurant in Charlottetown before purchasing the Lotus Garden Restaurant in 2000.

The Lotus Garden has many happy customers who enjoy the Canadian and Chinese dishes on the menu. The Lemon, Sweet & Sour, and Plum Sauces which are provided with meals are very delicious and after a request from a customer to take some home, Chef Wing was inspired to make the sauces available for sale in stores.

Chef Wing obtained technical assistance from the PEI Food Technology Centre and some financial support from PEI Business Development Inc. Lilian Yu, Food Scientist at the Food Technology Centre, communicated in Mandarin with Chef Wing and a half a year of work later, commercial production is now taking place. Chef Wing's Sweet & Sour, Plum, Lemon, Orange and Pineapple Sauces are available in 350 ml bottles at their restaurant and in local stores (Charlottetown and Summerside). The sauces are ready-to-eat although some may prefer them served hot.

Chef Wing is also planning to develop Szechwan, Hot Spicy, Barbecue, Chicken Wing and Curry sauces for the market soon. For more information, please contact Chef Wing Yip at 902-836-5055, or Lilian Yu, Food Scientist, at 902-368-6154.

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June 2007

OvoPharm Limited — Avian Polyclonal IgY Antibody Products

Eggs are generally thought of as a staple for breakfast or a key ingredient in baking but now they may also be used to treat a wide range of ills. Immunoglobulin (IgY) is acid- and heat-resistant and can be used orally to prevent or mitigate infectious intestinal diseases in young animals and humans. IgY extracted from eggs has become a viable alternative to antibiotics, especially given the prevalence of antibiotic resistance to microorganisms that is being raised by the medical community.

OvoPharm Limited is a Charlottetown-based company that is developing a novel series of ovo-biotechnology products sourced from Japanese Quail eggs. OvoPharm intends to market a range of avian polyclonal IgY antibody products targeting specific disease applications, and to commercialize innovative and targeted egg-based polyclonal antibody products for the nutraceutical, pharmaceutical and animal feed industries. The Food Technology Centre has been contracted to develop extraction and purification methods which will carryover to industrial scale processing. The focus of the work is on separation and purification of the IgY fraction from the protein of quail eggs.

OvoPharm Limited specializes in the production of egg-based polyclonal antibody products.
For more detail please contact Reid Barnett (CEO), reid@progressivebioactives.com

Natural Products Extraction Technology

Food Technology Centre has completed the early phase of the Atlantic Innovation Fund project on Natural Products Extraction Technology. The expansion, equipment and staffing phase of the project have been completed. A number of sub-projects for companies like Ocean Nutrition Canada (ONC) and Bio-Exx have been completed and others are being signed. This project will receive $4.9 M over its five year duration from ACOA.

Expertise is being developed with this project and the private sector clients will benefit from practical technologies being transferred to their organizations during the course of the project.

Accreditations

FTC is a registered ISO 9001:2000 company, has Standards Council of Canada Accreditation for the laboratories, is a Registered Food Processing Plant with the Canadian Food Inspection Agency and is a Certified Organic Processor. FTC is recognized as a HACCP Training Centre of Excellence by the SQF Institute in their registry of HACCP providers.

FTC has a Health Canada Establishment License which allows analytical testing of pharmaceuticals.

Funding Agreements

Network Member Agreement with the National Research Council IRAP Program. This enables FTC to promote innovation and the innovation-related services of the Centre.

Funding agreement with Canadian Dairy Commission (CDC) which allows food processors who use milk ingredients to access two funding programs.

Prince Edward Island Business Development Inc.

Consolidated Financial Statements
March 31, 2008

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CHARTERED ACCOUNTANTS

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Consolidated Financial Statements
March 31, 2008

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ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

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Fax (902) 566-5074
www.acgca.ca

May 23, 2008

Auditors' Report

To the Minister of Development and Technology

We have audited the consolidated balance sheet of **Prince Edward Island Business Development Inc.** as at March 31, 2008 and the consolidated statements of revenues and expenditures, retained earnings and cash flows for the year then ended. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using differential reporting options available to non-publicly accountable enterprises, as described in note 2(b) to the financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

ArsenaultBestCameronEllis

Chartered Accountants

Prince Edward Island Business Development Inc.

Consolidated Balance Sheet

As at March 31, 2008

	2008 $	2007 $
Assets		
Current assets		
Cash and short-term investments (note 14)	9,696,836	2,015,467
Accounts receivable (notes 3 and 19)	2,063,143	1,483,405
Accrued interest receivable	188,617	32,891
Grant receivable - ACOA	216,430	113,260
Inventory	-	58,078
Prepaid expenses	27,179	13,454
Current portion of loans receivable	18,347,936	3,037,783
Current portion of net investment in leases	29,916	120,981
	30,570,057	6,875,319
Due from the Province of Prince Edward Island (note 4)	23,723,974	19,571,538
Loans receivable, less current portion (note 5)	22,237,999	24,065,481
Investment in non-marketable securities (note 6)	1,560,806	2,415,202
Property holdings (note 7)	11,195,700	9,548,957
Property and equipment (notes 8 and 19)	20,244,553	25,551,684
Funds held in trust	-	36,867
Net investment in leases, less current portion (note 9)	1,233,535	1,110,643
	110,766,624	89,175,691
Liabilities		
Current liabilities		
Bank advances	62,422	-
Short-term notes payable (note 10)	15,000,000	15,000,000
Accounts payable and accrued liabilities (notes 15 and 19)	26,296,459	17,663,012
Provision for payment of guarantees (note 15)	17,052,233	11,800,918
Deferred revenue	12,326	39,444
Progress billings in excess of work-in-progress	80,171	86,915
Current portion of notes payable and long-term debt	15,399,701	3,314,215
Current portion of obligation under capital lease (note 12)	-	360,000
	73,903,312	48,264,504
Funds held in trust	-	36,867
Notes payable and long-term debt, less current portion (note 11)	25,035,126	27,248,737
Deferred credits (notes 13 and 19)	9,861,644	11,866,473
Reserve for future expenditures (note 14)	9,858	160,523
Capital fund	240,872	-
	109,050,812	87,577,104
Contingent liabilities (note 15)		
Equity		
Retained earnings	175,775	58,550
Contributed surplus (notes 16 and 19)	1,540,037	1,540,037
	1,715,812	1,598,587
	110,766,624	89,175,691

Approved by the Board of Directors

_____ Director

_____ Director

Prince Edward Island Business Development Inc.

Consolidated Statement of Retained Earnings

For the year ended March 31, 2008

	2008 $	2007 $
Retained earnings - Beginning of year	58,550	44,187
Excess revenue (expenditures) for the year	117,225	(5,895)
Transfer from contributed surplus (note 16)	-	20,258
Retained earnings - End of year	175,775	58,550
Contributed surplus - Beginning of year	1,540,037	1,560,295
Transfer to retained earnings (note 16)	-	(20,258)
Contributed surplus - End of year	1,540,037	1,540,037

Prince Edward Island Business Development Inc.

Consolidated Statement of Revenues and Expenditures

For the year ended March 31, 2008

	2008 $	2007 $
Revenue (note 19)		
Grant - Province of Prince Edward Island	37,862,300	39,736,600
Investment income	94,778	102,720
Interest on loans receivable	2,474,923	2,508,365
Guarantee fees	104,257	109,742
Property operations	4,343,997	4,485,874
Project revenues	1,185,834	1,218,796
Retail operations (Schedule)	(13,078)	144,428
	46,053,011	48,306,525
Expenditures (note 19)		
Operating	5,930,757	6,410,909
Property operations	4,601,139	4,530,658
Development programs	25,750,618	19,817,860
Allowance for credit losses and guarantee payments (note 4)	6,725,071	13,750,968
Investment operations	1,157,778	1,751,930
Project costs	667,292	588,107
Retail operations (Schedule)	-	92,949
Amortization - property holdings, property and equipment and deferred costs	2,752,858	2,981,374
Amortization - deferred credits	(1,461,618)	(1,612,335)
	46,123,895	48,312,420
	(70,884)	(5,895)
Other revenue		
Gain on disposal of property and equipment	188,109	-
Excess revenue (expenditures) for the year	117,225	(5,895)

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Prince Edward Island Business Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2008

	2008 $	2007 $
Cash provided by (used in)		
Operating activities		
Excess revenue (expenditures) for the year	117,225	(5,895)
Items not affecting cash		
Amortization - deferred credits	(1,457,852)	(1,612,335)
Amortization - property holdings and property and equipment	2,749,092	2,981,374
Amortization - net investment in lease	(43,000)	(43,000)
Gain on disposal of property and equipment	(188,109)	-
Increase in due from the Province of Prince Edward Island - allowance for possible losses	(6,725,071)	(13,750,968)
	(5,547,715)	(12,430,824)
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable - net	(579,738)	683,603
Decrease (increase) in accrued interest receivable	(155,726)	92,109
Decrease (increase) in grant receivable - ACOA	(103,170)	477,893
Decrease in deferred contributions	-	(162,000)
Decrease (increase) in prepaid expenses	(13,725)	15,334
Decrease (increase) in inventory	58,078	(980)
Increase in accounts payable and accrued liabilities	8,633,447	1,304,873
Increase in provision for payment of guarantees	5,251,315	10,510,368
Decrease in deferred revenue	(27,118)	(4,748)
Decrease in progress billings in excess of work-in-progress	(6,744)	(141,754)
	7,508,904	343,874
Financing activities		
Decrease in due from Province of P.E.I. - current operations	2,572,635	3,124,273
Increase (decrease) in deferred credits - net	(546,977)	391,564
Net change in funds held in trust	(36,867)	(1,143,585)
Increase in short-term notes payable	-	2,449,397
Increase (decrease) in notes payable and long-term debt (net)	9,871,875	(21,794,013)
Decrease in obligation under capital lease	(360,000)	(300,000)
Increase in capital fund	240,872	-
Decrease in reserve for future expenditures	(150,665)	-
	11,590,873	(17,272,364)
Investing activities		
Purchase of property and equipment - net	(697,277)	35,608
Reductions of and proceeds on disposal of property and equipment	2,705,826	-
Additions to and purchase of property holdings	(1,945,000)	-
Reductions of and proceeds on disposal of property holdings	1,035,856	15,000
Decrease in investment in non-marketable securities	854,396	338,807
Decrease (increase) in loans receivable (net)	(13,482,671)	15,263,669
Decrease (increase) in net investment in lease (net)	11,173	(568,308)
	(11,517,697)	15,084,776
Increase (decrease) in net cash and short-term investments and funds held in trust	7,582,080	(1,843,714)
Net cash and short-term investments and funds held in trust - Beginning of year	2,052,334	3,896,048
Net cash and short-term investments and funds held in trust - End of year	9,634,414	2,052,334
Net cash and short-term investments and funds held in trust consists of:		
Cash and short-term investments	9,696,836	2,015,467
Funds held in trust	-	36,867
Bank advances	(62,422)	-
	9,634,414	2,052,334
Supplementary disclosure		
Interest and dividends received	2,368,756	2,678,040
Interest paid	2,376,952	3,050,111

1 Status of the corporation

Prince Edward Island Business Development Inc. is a Crown corporation incorporated under the Prince Edward Island Business Development Inc. Act (formerly Enterprise P.E.I. Act). Its financial results are included in the public accounts of the Province of Prince Edward Island.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiaries, F.T.C. Enterprises Limited, Environmental Industrial Services Inc., Corporate Services Ltd., Gateway Village Development Inc., Atlantic Technology Centre Inc., Technology Prince Edward Island Inc. and 100417 P.E.I. Inc. all having March 31, 2008 year ends.

b) Differential reporting options

The company, with the unanimous consent of its shareholder, the Province of Prince Edward Island, has elected to prepare its financial statements in accordance with Canadian generally accepted accounting principles using the differential reporting options available to non-publicly accountable enterprises described below:

Investment subject to significant influence

The company has elected to use the cost method to account for its investment in Slemon Park Corporation. Slemon Park Corporation is subject to significant influence and would otherwise be accounted for using the equity method accounting. Details of the investment is as follows:

	2008 $	2007 $
56,000 common shares of Slemon Park Corporation	1	1

The investment is included in investment in non-marketable securities as disclosed in note 6.

In addition, the company has applied the following significant accounting policies without reference to differential reporting.

c) Inventory

Inventory is valued at the lower of cost, determined on the first-in, first-out basis, and market, which is defined as net realizable value.

d) Due from the Province of Prince Edward Island

i) Current operations

Operating grant – Province of Prince Edward Island is the balance due (to) from the Province for grants received that are less than (in excess of) expenditures incurred in the current year.

ii) Allowance for possible credit losses

The annual funded allowance for possible credit losses (expense or recovery) is recorded as an amount "Due from the Province of Prince Edward Island – Allowance for Possible Credit Losses". The "Due from the Province of Prince Edward Island – Allowance for Possible Credit Losses" is reduced when a write-off is recognized by both Prince Edward Island Business Development Inc. and the Province, with notes payable reduced correspondingly. The allowance for possible losses is also reduced by any payment received from the Province on the allowance for possible losses for guarantees. During the year, Prince Edward Island Business Development Inc. recorded an approved allowance and corresponding expense of $6,725,071 (2007 - $13,750,968).

e) Loans receivable

i) Loans

Working capital and craft loans are recorded at cost less an allowance for possible losses. These loans are due on demand and bear interest at rates ranging from 4.75% to 10.5% and are repayable within the next fiscal year.

Long-term loans are recorded at cost less an allowance for possible losses. These loans are issued at long-term interest rates and are repayable over various terms to a maximum of 8 years with interest rates ranging from 5% to 8.84%.

An impaired loan is a loan where in management's opinion there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest.

ii) Credit risk

The company has invested 73% (2007 - 59%) of its loan receivable portfolio in the shipbuilding, shipping sector with one company, representing a significant concentration of credit risk in the loans receivable portfolio.

f) Allowance for possible losses

An allowance for possible losses is maintained which is considered adequate to absorb all credit and investment related losses and off-balance sheet items including guarantees. The allowance is deducted from the applicable asset on the balance sheet, except for guarantees. The allowance for guarantees is included in accounts payable for Entrepreneurial Loan Program guarantees and as a provision for payment of loan guarantees on the balance sheet for the remaining guarantees allowance.

The allowance consists of specific and general provisions.

Specific provisions include the accumulated allowances for losses on particular assets required to reduce the book values to estimated realizable amounts. Specific provisions total $3,513,871 (2007 - $1,829,047). The accumulated allowances for losses on specific off-balance sheet items total $17,158,620 (2007 - $11,926,243). Of this total, $106,387 (2007 - $125,325) is included in accounts payable and accrued liabilities, and $17,052,233 (2007 - $11,800,918) is recorded as provision for payment of guarantees.

The company does not accrue interest on a loan receivable once a specific provision has been recorded against the loan.

The corporation reviews its loans portfolio, investments and advances, leased property and property holdings and guarantees on an ongoing basis to assess whether an allowance or write-off is required.

A variety of methods are used to determine the amount expected to be recovered from investments in and advances to private companies and property holdings, including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken.

A general provision of $1,018,979 (2007 - $1,230,041) includes accumulated allowances for losses which are prudential in nature and cannot be specifically identified. The general provision is based on past performance of similar assets, the level of the specific provision, management's judgment, the economic climate and the maturity and financial strength of the investee.

g) **Investment in non-marketable securities**

Investment in and advances to private companies, except for four preferred share investments, not considered to be concessionary are recorded at one-half of cost. An expense of 50% is charged to development programs when the funds are invested. The cost is reduced by any applicable allowance for possible losses. Any recovery exceeding the balance in share investment is taken into revenue when received.

The four investments in preferred shares of private companies that are not being carried at one-half of their cost are being carried at the lower of cost and estimated realizable value.

Investment in non-marketable securities are reviewed annually for potential declines in value and are written down or an allowance is recorded if a decline in value is considered evident. Write downs are included in development programs expense.

It is not practical within constraints of timeliness and cost to determine the fair value of the investment in private companies as these investments are in closely held private companies that have no organized financial market. The estimated realizable value of these investments and advances is based on expected future cash flows.

h) **Property holdings, property and equipment and amortization**

i) Property holdings

Property holdings are reported at the lower of cost, net of government grants, and estimated realizable value.

Office furniture and equipment and computer equipment are fully expensed in the year of acquisition, except for F.T.C. Enterprises Limited and Atlantic Technology Centre Inc. which record these items as a capital asset at cost less accumulated amortization. The amount expensed during the year ended March 31, 2008 was $18,611 (2007 - $15,785). Land improvements and buildings in Prince Edward Island Business Development Inc. are amortized using the straight-line method at the rates of 10% and 4% respectively. Land improvements and equipment included in industrial sites are amortized using the straight-line method at the annual rates of 8% and 20% respectively. Buildings and equipment held for resale and industrial malls are amortized using the straight-line method at the annual rate of 7%. Proceeds on the sale of industrial sites are recorded as a reduction in the carrying value of the asset. The test cells are amortized using the straight-line method at the annual rate of 5%. Signage is amortized using the straight-line method at the annual rate of 20%.

ii) Amortization

Property and equipment are amortized using the straight-line method at annual rates ranging from 5% to 100% as indicated in note 8.

A full year's amortization is recorded in the year of acquisition.

iii) Estimated realizable value

Estimated realizable value for industrial sites is the expected proceeds on resale and for industrial malls it is the property tax assessed value.

Estimated realizable value for land, buildings and equipment held for resale under lease purchase options is its property tax assessed value.

Estimated realizable value for the test cell is the net cost to construct the asset supported by a payment under a long-term lease agreement.

The reduction from cost to estimated realizable value is recorded as a provision for possible losses.

i) **Net investment in leases**

The company's subsidiaries accumulate costs of constructing assets, that are to be classified as capital leases, as assets under capital lease, and the related grants are considered deferred credits until the lease term begins. When the lease term begins, the assets under capital lease and deferred credits will be removed from the balance sheet and a net investment in leases recorded. The net investment in leases represents the net present value of the minimum lease payments receivable over the term of the lease plus the purchase option.

j) **Programs assistance payable**

Provincially funded non-cost shared program assistance is expensed and included in accrued liabilities when approved and accepted. Federal-Provincial cost shared programs are expensed when the funds are disbursed. Infrastructure assistance requiring future performance criteria is expensed when the funds are disbursed. Certain infrastructure assistance approved and not disbursed at year end is recorded as deferred charges.

The P.E.I. Food Products Development Fund is a provincially-funded research assistance program administered by F.T.C. Enterprises Limited. Grants under the program are included in income and a corresponding expense and accrued liability is recorded when the grant is received. The accrued liability is reduced when contributions are made to projects. There is $640,435 (2007 - $608,739) in unexpended assistance included in accrued liabilities at year-end. The company has committed funds to qualifying projects in the amount of $147,495 for the 2008 fiscal year.

k) **Federal programs and grants**

Prince Edward Island Business Development Inc. administers programs on behalf of the Federal Government. Any difference between federal funding received and program expenditures is recorded as an accounts receivable or accounts payable. During the year, Prince Edward Island Business Development Inc. disbursed $353,847 (2007 - $392,230) under the programs. Included in accounts receivable is $80,556 (2007 - $81,912) due from the federal government relating to the 2008 programs.

Included in the development program expenditures is $67,319 (2007 - $73,977) in costs related to salary costs of Prince Edward Island Business Development Inc. employees who deliver and administer these programs. This cost recovery has been recorded as a reduction in Prince Edward Island Business Development Inc.'s operating expenditures.

l) **Post retirement benefits**

The company provides retirement benefits to certain employees provided that they have at least 10 years of continuous service, reached a minimum age of 55 years, and contributed to the Superannuation Fund for at least 5 years. The benefit is based on one week's pay per year of service to a maximum of 26 weeks.

The accrual for post retirement benefits at March 31, 2008 is $432,343 (2007 - $343,571).

m) **Pension liabilities**

Most of the Corporation's staff are members of the Province of Prince Edward Island pension plan. Pension obligations are liabilities of the Province and not the corporation and no liability for these costs has been accrued by the corporation at March 31, 2008.

n) **Deferred credits**

Prince Edward Island Business Development Inc. and its subsidiaries have adopted the policy that contributions received towards the acquisition of property and equipment will be recorded as deferred credits and amortized to earnings on the same basis as the related property and equipment are amortized.

Contributions received and not spent on capital assets at year end are recorded as deferred contributions.

o) **Revenue recognition**

Prince Edward Island Business Development Inc. subsidiaries follow the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's revenue based on the expenditures incurred and work completed on each contract in progress as at the balance sheet date. Unearned revenue is recorded as deferred revenue.

Work in progress in excess of progress billings is recorded at year end to appropriately recognize revenue under the percentage-of-completion basis of accounting when work in progress is in excess of actual billings generated. When progress billings are in excess of the related work in progress at year end the excess is recorded as progress billings in excess of work in progress.

In Atlantic Technology Centre Inc., long-term rental and common area revenue are recognized on a monthly basis in accordance with lease agreements. Short-term rentals are recognized when the space has been provided to customers.

Revenue from product royalties is recorded as received.

Revenues and earnings from rents, retail sales and utility user fees are recorded when collection is reasonably assured and all other significant conditions of service are met.

Interest accrued on loans is recognized as revenue in the period earned except where a loan is classified as impaired. Interest earned on an impaired loan is recognized as revenue only when it has been received.

Investment income is recorded in the period earned.

p) **Film and new media investments**

Investments made under the film and new media equity investments program are recorded as an expense under program expenditures when approved and accepted by the client. Revenue received as a recovery of those investments based on a percentage of income or under royalty agreements is recorded as revenue in the period received.

q) **Interest expense**

Interest paid by Prince Edward Island Business Development Inc. and its subsidiaries are included in the expenditure category to which it relates. Included in expenses is interest expense for 2008 as follows:

	2008 $	2007 $
Interest on short-term borrowings	670,078	599,857
Interest on long-term debt	1,728,780	2,440,159
	2,398,858	3,040,016

s) **Management estimates**

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period.

t) **Changes to Accounting Standards - financial instruments**

Effective April 1, 2007, Prince Edward Island Business Development Inc. adopted the following new accounting standard issued by the Canadian Institute of Chartered Accountants.

Section 3855, *Financial Instruments - Recognition and Measurement,* which describes the standards for recognizing and measuring financial assets, financial liabilities and derivatives. This section requires that:

- all financial assets be measured at fair value, with some exceptions for loans and investments that are classified as held-to-maturity;
- all financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their amortized cost.
- all derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

Section 3861, *Financial Instruments - Disclosure and Presentation*, which replaced Section 3860 and provided additional presentation and disclosure requirements in relation to the issuance of Section 3855. The majority of these standards were previously contained in Section 3860.

u) **Financial instruments**

The Company's financial instruments are comprised of cash and short-term investments, accounts receivable, accrued interest receivable, grant receivable, loans receivable, investment in non-marketable securities, investment in leases, accounts payable and accrued liabilities, short-term note payable and notes payable and long-term debt. They are classified as follows:

Loans receivable and investment in leases have been classified as "loans and receivables" and are recorded at amortized cost using the effective interest rate method.

Investment in non-marketable securities have been classified as "available for sale". As there are no market values for the investments, the fair value is estimated at amortized cost.

Notes payable and long-term debt are recorded at amortized cost using the effective interest method.

Due to their short-term nature, all the financial instruments are considered to be carried at amounts which approximate their fair value.

The company does not enter into financial hedging activities and does not engage in derivative transactions.

v) **Financial risk management objectives and policies**

The Company's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. As part of the overall management of the entity's operations management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the Company's exposure.

3 Accounts receivable

The accounts receivable have been reduced by an allowance for possible losses of $165,288 (2007 - $102,085).

4 Due from the Province of Prince Edward Island

	2008 $	2007 $
Current operations		
Operating grant - Province of Prince Edward Island	2,138,897	4,711,532
Allowance for possible losses		
Balance - beginning of year	14,860,006	8,068,117
Current year's allowance for possible losses expense	6,725,071	13,750,968
Current year write-offs	-	(6,959,079)
	21,585,077	14,860,006
Balance - End of year	23,723,974	19,571,538

5 Loans receivable

	Total $	Impaired loans included in total $	Allowance for possible losses General $	Allowance for possible losses Specific $	2008 Net $	2007 Net $
Working capital and craft loans	20,311,837	2,455,883	850,252	1,121,836	18,339,749	3,419,053
Long-term loans						
Shipbuilding/shipping	21,085,712	-	-	-	21,085,712	21,599,998
Manufacturing and processing	1,289,130	1,142,255	75,000	1,065,000	149,130	1,408,778
Tourism	196,902	-	19,690	-	177,212	175,895
Small business	884,517	589,000	57,672	140,000	686,845	270,154
Other	163,652	-	16,365	-	147,287	229,386
	23,619,913	1,731,255	168,727	1,205,000	22,246,186	23,684,211
Total Loans Receivable	43,931,750	4,187,138	1,018,979	2,326,836	40,585,935	27,103,264
Less: loans due within the next fiscal year	19,899,987	2,324,537	707,216	844,835	18,347,936	3,037,783
	24,031,763	1,862,601	311,763	1,482,001	22,237,999	24,065,481

	2008 $	2007 $
Continuity of allowance for possible losses		
Allowance for possible losses - Beginning of year	2,437,088	6,277,452
Add: Provision recorded during the year	908,727	3,044,600
Less: Write-offs recorded during the year	-	(6,884,964)
Allowance for possible losses - End of year	3,345,815	2,437,088

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6 Investment in non-marketable securities

	2008 $	2007 $
Investment in private companies		
Small Business and Venture Capital Equity Program investments	555,028	567,389
Less: Allowance for possible losses	(431,034)	(372,000)
	123,994	195,389
56,000 common shares of Slemon Park Corporation at cost	1	1
Investment in preferred shares of private corporations	2,192,811	2,469,812
Net royalties receivable from private corporation	31,619	31,619
Less: Allowance for possible losses	(787,619)	(281,619)
	1,436,812	2,219,813
	1,560,806	2,415,202

Of the preferred shares in private corporations, $50,000 are to be redeemed by the issuer at the rate of $10,000 per year, with the first redemption to occur in the 2008 year.

The net royalties receivable are due to F.T.C. Enterprises Limited, are non-interest bearing and are to be recoverable in the amount of 1.25% of gross income received by the purchaser for the direct sales of the products sold or 12.5% of net licensing fees received by the purchaser for licensing agreements, with one-half of these royalties being payable to the original patent holders by F.T.C. Enterprises Limited under an assignment. During the year, F.T.C. Enterprises Limited received net royalties of nil (2007 - nil).

	2008 $	2007 $
Continuity of allowance for possible losses		
Allowance for possible losses - Beginning of year	653,619	531,734
Add: Provision recorded during the year	565,034	196,000
Less: Write-offs recorded during the year	-	(74,115)
Allowance for possible losses - End of year	1,218,653	653,619

7 Property holdings

	Cost $	Accumulated amortization $	2008 Net $	2007 Net $
Prince Edward Island Business Development Inc.				
Land	981,500	-	981,500	981,500
Land improvements	44,765	31,337	13,428	17,904
Buildings	1,611,451	451,212	1,160,239	1,224,703
Land, buildings and equipment held for resale or under lease purchase options	4,431,861	1,278,767	3,153,094	1,276,734
Industrial sites	12,740,493	10,458,903	2,281,590	1,178,367
Industrial malls	2,806,046	2,806,046	-	-
Test cell	4,937,000	1,331,151	3,605,849	3,852,701
Signage	64,067	64,067	-	1,656
	27,617,183	16,421,483	11,195,700	8,533,565

Included in land, buildings and equipment held for resale or under lease purchase options is land of $1,316,302 (2007 - $871,302).

Included in industrial sites is land of $263,360 (2007 - $263,360).

Environmental Industrial Services Inc.				
Property for development - land	-	-	-	929,085
Soft costs	-	-	-	86,307
	-	-	-	1,015,392
	27,617,183	16,421,483	11,195,700	9,548,957

8 Property and equipment

	Amortization rate %	Cost $	Accumulated amortization $	2008 Net $	2007 Net $
F.T.C. Enterprises Limited					
Buildings	5 - 25 SL	2,655,872	2,354,362	301,510	339,650
AIF Building	25 SL	1,497,297	1,497,297	-	374,477
Pilot plant and laboratory equipment	10 - 25 SL	3,104,542	2,556,796	547,746	769,860
Computer and audio visual equipment	33 1/3 SL	492,812	492,812	-	3,884
Office furniture and equipment	20 SL	171,779	171,779	-	-
AIF equipment	25 SL	1,863,416	1,863,416	-	460,299
		9,785,718	8,936,462	849,256	1,948,170
Gateway Village Development Inc.					
Land		-	-	-	1
Building - Phase I	5 SL	-	-	-	1,573,450
- Phase II	5 SL	-	-	-	910,970
Land improvements					
- Phase I	10 SL	-	-	-	13,612
- Phase II	10 SL	-	-	-	36,337
		-	-	-	2,534,370
Environmental Industrial Services Inc.					
Bloomfield Mall					
Land improvements	10 SL	-	-	-	78,280
Building	4 SL	-	-	-	1,495,659
Waste treatment facility	3.33 SL	723,296	51,672	671,624	251,604
		723,296	51,672	671,624	1,825,543
Atlantic Technology Centre Inc.					
Land		2,391,916	-	2,391,916	2,391,916
Land improvements	10 SL	67,000	36,850	30,150	36,862
Building	2.5 SL	18,872,238	2,590,032	16,282,206	16,754,016
Furniture and fixtures	20 SL	313,273	313,273	-	31,857
Computer hardware	33 1/3 SL	1,503,111	1,483,710	19,401	28,950
Computer software	100 SL	61,600	61,600	-	-
		23,209,138	4,485,465	18,723,673	19,243,601
		33,718,152	13,473,599	20,244,553	25,551,684

SL = Straight line

9 Net investment in leases

The net investment in leases represents the minimum lease payments receivable over the term of the lease plus purchase options receivable recorded at net present value. The net investment in leases consists of the following:

Environmental Industrial Services Inc.

Environmental Industrial Services Inc. has entered into agreements to lease two properties on terms that require these leases to be accounted for as capital leases. In accounting for the capital leases, the property and equipment and related deferred credits have been removed and the lease payments receivable recorded as net investment in leases. The net investment in leases consists of the following:

- McCain Foods Limited – 10-year lease expiring December 2010, with the lessee paying all operating costs, an annual lease payment of nil and a purchase option of $20.
- Irving Pulp and Paper Limited – 8-year lease expiring December 2011, with the lessee paying all operating costs, an annual lease payment of nil and a purchase option of $10.

Both leases are renewable for an additional 10 years at the expiration of the original lease term at the option of the lessee.

Prince Edward Island Business Development Inc.

a) The net investment in lease represents the purchase option receivable from the lessee, due July 1, 2015.

The net investment in lease is recorded at the net present value of the total lease payments using a discount rate of 5.5%, calculated as follows:

	2008 $	2007 $
Total of lease payments to be received to July 1, 2015	1,000,030	1,000,030
Less: Portion representing interest at 5.5%	(301,000)	(344,000)
Net present value of net investment in lease	699,030	656,030

b) Total minimum lease payments on capital lease on building, due April 30, 2013, receivable in monthly instalments of $5,902, commencing May 2008, secured by land and building located in Montague, Prince Edward Island

	708,215	641,202
Less: Portion representing interest at 4%	(143,794)	(72,898)
Net present value of net investment in lease	564,421	568,304
Less: Current portion	(29,916)	(113,691)
	534,505	454,613
	1,233,535	1,110,643

10 Short-term notes payable

	2008 $	2007 $
Demand note payable to Island Investment Development Inc.	15,000,000	15,000,000

During the 2007 year, the company entered into an agreement with Island Investment Development Inc., a provincial Crown corporation, to obtain a $15,000,000 revolving line of credit. The balance of the line of credit at March 31, 2008 is $15,000,000 (2007 - $15,000,000). Interest is charged monthly at a rate equal to the Department of Provincial Treasury of Prince Edward Island's short-term lending rate and the total amount is repayable on demand.

The demand note is secured by a promissory note for $15,000,000 and a revolving credit agreement.

11 Notes payable and long-term debt

	2008 $	2007 $
4.00% promissory note payable, due March 1, 2015 with interest to be paid quarterly and principal due at maturity	6,085,712	6,600,000
5.33% note payable, interest payments only commencing November 1, 2004 and payable until February 2010, principal payments commence February 1, 2010 with one payment of $85,714 followed by 55 monthly principal payments of $257,143, three monthly principal payments of $171,429 and three monthly principal payments of $85,714 plus interest, maturing March 1, 2015	10,887,028	11,286,757
6.62% Bank of Nova Scotia mortgage, repayable $40,333 monthly plus interest, maturing August 30, 2017	9,397,667	9,881,667
4.00% promissory note payable, due January 2012, repayable $11,249 monthly including principal and interest	564,420	592,290
4.00% note payable, due January 2013, repayable $12,595 monthly including principal and interest	1,500,000	-
4.00% note payable, due October 2008, repayable in three instalments of $4,000,000 plus interest	12,000,000	-
4.00% promissory note payable, repaid during the year	-	2,202,238
	40,434,827	30,562,952
Less: Current portion	15,399,701	3,314,215
	25,035,126	27,248,737

The 5.33% note payable is issued to the Province of Prince Edward Island.

The 4% promissory notes are payable to Island Investment Development Inc., a provincial Crown corporation.

The notes payable and long-term debt are unsecured, except for the 6.62% Bank of Nova Scotia mortgage, which is secured by a full guarantee provided by the Province of Prince Edward Island.

The entire balance of the 4.00% note payable due October 2008 is classified as current liability.

The aggregate amount of principal payments required in each of the next five years to meet retirement provisions is as follows:

	$
Year ending March 31, 2009	15,399,701
2010	4,346,212
2011	3,129,371
2012	2,593,565
2013	3,663,763

12 Obligation under capital lease

Atlantic Technology Centre Inc.

The following is an analysis of the future minimum lease payments due on a capital lease. The lease expired October 2007.

	2008 $	2007 $
4% lease, repaid during the year	-	374,400
Less: Amount representing interest	-	14,400
	-	360,000
Less: current portion	-	360,000
	-	-

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13 Deferred credits

	Cost $	Accumulated amortization $	2008 Net $	2007 Net $
F.T.C. Enterprises Limited				
Buildings	3,815,584	2,719,808	1,095,776	2,000,320
Pilot plant and laboratory equipment	4,358,598	3,392,690	965,908	298,752
	8,174,182	6,112,498	2,061,684	2,299,072
Gateway Village Development Inc.				
Building - Phase I	-	-	-	1,573,453
Land improvements	-	-	-	13,609
	-	-	-	1,587,062
Environmental Industrial Services Inc.				
Bloomfield Mall	-	-	-	683,019
Georgetown waste treatment	429,803	-	429,803	-
	429,803	-	429,803	683,019
Atlantic Technology Centre Inc.				
Building	6,861,000	924,972	5,936,028	6,107,556
Furniture and fixtures	313,273	313,273	-	31,858
Computer hardware	1,424,928	1,424,928	-	-
Computer software	50,800	50,800	-	-
	8,650,001	2,713,973	5,936,028	6,139,414
Prince Edward Island Business Development Inc.				
Industrial sites	8,715,906	7,281,777	1,434,129	1,157,906
	25,969,892	16,108,248	9,861,644	11,866,473

14 Reserve for future expenditure

During the 2005 fiscal year, Environmental Industrial Services Inc. took over certain liabilities from the Department of Environment, Energy and Forestry. The Corporation received nil (2007 - nil) in capital replacement funds which have been recorded as a reserve for future expenditures. As of March 31, 2008 the reserve was fully funded.

Included in cash and short-term investments is $9,858 (2007 - $93,417) which has been restricted to fund the reserve for future expenditures.

During the year, $150,665 (2007 - nil) was expended from the reserve.

	2008 $	2007 $
Total provision for possible payment - loan and lease guarantees	17,052,233	11,800,918

15 Contingent liabilities

a) The corporation is contingently liable under loan guarantees at March 31 as follows:

	2008 $	2007 $
Loan guarantees	5,053,696	6,613,529
Provision for possible payment	1,908,233	1,249,950
Lease indemnification guarantee - net present value of indemnified payments	15,144,000	13,007,958
Provision for possible payment	15,144,000	9,755,969

	2008 $	2007 $
Continuity of allowance for possible losses		
Allowance for possible losses - Beginning of year	11,800,918	1,290,550
Add: Provision recorded during the year	5,251,315	10,510,368
Allowance for possible losses - End of year	17,052,233	11,800,918

The provision for possible payment for the loan guarantees is included in the overall allowance for possible losses.

The corporation is also contingently liable under entrepreneur loan program guarantees of $705,244 (2007 - $849,825) for which a provision for possible losses of $106,387 (2007 - $127,325) has been included in accounts payable and accrued liabilities.

Included in loan guarantees is nil (2007 - $495,000) for an equity investment and $953,212 (2007 - $1,313,425) in guarantees for line of credit balances which have a carrying value of $953,212 (2007 - $1,313,425) at March 31, 2008. Also included is $4,100,484 (2007 - $4,804,936) in guarantees for term loans which have a carrying value of $4,100,484 (2007 - $4,805,104) at March 31, 2008. The above guarantees have various expiry dates ranging from June 2008 to May 2023.

The guarantees are secured by various assets and proceeds from liquidation are expected to cover the net carrying amount of the guarantees.

Related party amounts

Included in loan guarantees is a guarantee of a preferred share investment in the amount of nil (2007 - $495,000) provided to a Crown corporation, PEI Lending Agency and a guarantee of a term loan in the amount of $1,968,733 (2007 - $2,093,737) provided to Slemon Park Corporation, which is controlled by a wholly-owned subsidiary of Prince Edward Island Business Development Inc.

b) Prince Edward Island Business Development Inc. (the "company") has indemnified lease payments to a landlord on behalf of a private company (the "tenant"). In the case of default by the tenant, the maximum amount indemnified is $108,333 per month, pursuant to the lease ending February 2025. The Company also has the option to acquire the premises from the landlord based on a predetermined calculation and have the lease assigned. Under this agreement, the option value at March 31, 2008 is $15,144,000. If the Company opts to acquire the premises, the proceeds from the sale of the premises would be used to recover all or a portion of amounts paid under the guarantee.

c) The company, along with other parties, has been named in a claim by a private company seeking general and aggravated damages and special damages in the amount of $11,187,345, plus other unspecified damages and costs. It is management's opinion that a liability, if any, is unlikely and undeterminable at this time and no provision has been made in the accounts for future possible losses related to this claim.

d) Prince Edward Island Business Development Inc. has been named in an action filed by a private company seeking unspecified damages. Management believes this claim is completely without foundation and that the liability resulting from this claim, if any, is unlikely at this time and, accordingly, no provision has been recorded in the accounts for future possible losses.

16 Contributed surplus

During the 2007 fiscal year, the shareholder and directors of Gateway Village Development Inc. approved the transfer from contributed surplus of $20,258 to offset the operating deficit for that company for the year ended March 31, 2007.

17 Commitments

a) F.T.C. Enterprises Limited has entered into a twenty-five year lease expiring November 2013 with the University of Prince Edward Island for the land upon which the corporation constructed its facilities. The lease cost is $1 per year and is renewable for a further term of twenty-five years for the same annual consideration.

b) Loans approved by Prince Edward Island Business Development Inc. but not disbursed at March 31, 2008 total $1,089,707.

c) The company has committed to fund the building and equipment lease obligations and the waste water treatment costs of Atlantic Beef Products Inc. (ABP) for a 36-month period commencing December 1, 2007. This commitment also extends to certain leasehold improvements which are being repaid monthly by ABP.

The company's commitment to the lease and waste water expense will total approximately $138,500 per month. The company's commitment for leasehold improvements is $154,827.

18 Operating agreements

Environmental Industrial Services Inc. has agreements with McCain Foods Limited and Irving Pulp & Paper Limited to operate wastewater treatment facilities to extend to December 2010 and 2011, respectively, and stipulate that the companies shall pay Environmental Industrial Services Inc. a user fee equal to the operating costs of the facilities excluding interest and amortization charges. The companies pay these operating costs directly and accordingly a user fee has not been charged by Environmental Industrial Services Inc.

Environmental Industrial Services Inc. is responsible for operating the Brudenell and Crowbush Water and Sewer Utilities on behalf of the Province of Prince Edward Island. Environmental Industrial Services Inc. pays the operating costs of the Utility and recovers these costs from the users of the utility on a pro-rata basis based on usage.

During the year, the company recovered nil (2007 - $2,107) in costs from related parties, Tourism PEI and Golf Links Prince Edward Island Inc. Tourism PEI is a provincial Crown corporation and Golf Links Prince Edward Island Inc. is a subsidiary of Tourism PEI.

19 Related party transactions

Balance sheet

Accounts receivable

Included in accounts receivable is $252,370 (2007 - $134,892) due from the Province of Prince Edward Island and $105,234 (2007 - $137,813) due from related companies.

Property and equipment

The Province of P.E.I. transferred land to Gateway Village Development Inc. in 1997. In accordance with the terms of the transfer, the exchange and carrying amounts of the land was established as $1.

The Province of Prince Edward Island conveys land to the company periodically to be used for development purposes. The exchange and carrying amounts of land when transferred into the company is nil.

Accounts payable

Included in accounts payable and accrued liabilities is $93,522 (2007 - $644,835) payable to the Province of Prince Edward Island, and $42,951 (2007 - $25,596) due to related companies.

Deferred credits

During the year, F.T.C. Enterprises Limited received grants of $496,500 (2007 - $746,507) from the Province of Prince Edward Island through Prince Edward Island Business Development Inc. that have been accounted for as deferred credits and included in program expenditures for the year. These amounts have not been eliminated on consolidation.

During the year, Atlantic Technology Centre Inc. received nil (2007 - nil) from Prince Edward Island Business Development Inc. to fund the acquisition of capital assets. The cumulative total received to March 31, 2008 in grants to fund capital asset acquisitions of $4,150,000 is included in deferred credits. These amounts have not been eliminated on consolidation.

Contributed surplus

Gateway Village Development Inc. and F.T.C. Enterprises Limited have received a cumulative total of $1,786,248 in funds from the Province of Prince Edward Island through Prince Edward Island Business Development Inc. that have been accounted for as contributed surplus less $225,953 transferred to offset deficit in prior years. This contribution has not been eliminated on consolidation.

Statement of revenue and expenditures

Management fees

During the year, management fees of $450,000 (2007 - $250,000) were received from Island Investment Development Inc. and recorded as a reduction in operating expenditures.

Development programs

Included in development programs is nil (2007 - $156,471) to other Crown corporations.

Interest expense

Included in expenditures is $670,078 (2007 - $1,048,951) in interest paid to the Province of Prince Edward Island.

Included in expenditures is $191,671 (2007 - $765,058) in interest paid to a subsidiary of a provincial Crown corporation and $848,447 (2007 - $372,335) in interest paid to a provincial Crown corporation.

Other

During the year, Environmental Industrial Services Inc. received $758 (2007 - $2,107) in costs from Tourism PEI, a provincial crown corporation, and its wholly owned subsidiary, Golf Links Prince Edward Island Inc.

The company provides office premises to Tourism PEI for nil consideration.

The company rents land for the annual amount of $2,120 plus applicable taxes from Slemon Park Corporation under a fifty-year lease agreement, effective for the term September 28, 2001 to September 28, 2051.

100417 P.E.I. Inc., a wholly-owned subsidiary of Prince Edward Island Business Development Inc., owns 56% of the common shares of Slemon Park Corporation.

20 Comparative figures

Certain comparative figure presented for the 2007 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

21 Interest rate risk

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, notes receivable are shown at contractual maturity but certain notes could prepay earlier.

	Under 1 year $	Over 1 to 5 years $	Over 5 years $	Not interest rate sensitive $	Total $
Assets					
Cash and short-term investments	9,696,836	-	-	-	9,696,836
Accounts receivable	-	-	-	2,063,143	2,063,143
Accrued interest receivable	-	-	-	188,617	188,617
Grant receivable - ACOA	-	-	-	216,430	216,430
Prepaid expenses	-	-	-	27,179	27,179
Loans receivable (net of allowance for losses)	18,347,936	13,931,764	8,306,235	-	40,585,935
Effective interest rate	5.06%	6.45%	6.44%		
Due from the Province of Prince Edward Island	-	-	-	23,723,974	23,723,974
Investment in non-marketable securities	116,798	467,191	759,822	216,995	1,560,806
Effective interest rate	2.24%	2.24%	1.16%		
Property holdings	-	-	-	11,195,700	11,195,700
Property and equipment	-	-	-	20,244,553	20,244,553
Net investment in leases	-	-	-	1,263,451	1,263,451
Total assets	28,161,570	14,398,955	9,066,057	59,140,042	110,766,624
Liabilities and surplus					
Bank advances	-	-	-	62,422	62,422
Accounts payable and accrued liabilities	-	-	-	26,296,459	26,296,459
Provision for payment of guarantees	-	-	-	17,052,233	17,052,233
Deferred revenue	-	-	-	12,326	12,326
Progress billing in excess of work-in-progress	-	-	-	80,171	80,171
Short-term notes payable	15,000,000	-	-	-	15,000,000
Effective interest rate	4.00%				
Notes payable and long-term debt	15,399,701	13,732,910	11,302,216	-	40,434,827
Effective interest rate	4.12%	5.04%	6.09%		
Capital fund	-	-	-	240,872	240,872
Deferred credits	-	-	-	9,861,644	9,861,644
Reserve for future expenditures	-	-	-	9,858	9,858
Contributed surplus	-	-	-	1,540,037	1,540,037
Retained earnings	-	-	-	175,775	175,775
Total liabilities and deficit	30,399,701	13,732,910	11,302,216	55,331,797	110,766,624
Interest rate sensitivity gap	(2,238,131)	666,045	(2,236,159)	3,808,245	-

Prince Edward Island Business Development Inc.

Schedule of Retail Operations

For the year ended March 31, 2008

	2008 $	2007 $
Revenue		
Island Store	45,000	296,888
Consignment sales - net	-	396
	45,000	297,284
Cost of goods sold		
Island Store	58,078	152,856
Gross margin	(13,078)	144,428
Expenditures		
Salaries and benefits	-	53,487
Occupancy charge	-	29,688
Bank charges and interest	-	3,826
Travel and training	-	79
Packaging	-	1,291
Advertising and promotion	-	206
Electricity	-	2,302
Telecommunications	-	1,212
Administration	-	986
Maintenance and cleaning	-	302
Exchange gain	-	(430)
	-	92,949